

July 21, 2016

OATH OF OFFICE

OATH OF OFFICE OF CATHERINE MOSS
MEMBER OF THE RETIREMENT BOARD OF THE
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

I, CATHERINE MOSS, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of Ohio; that I will not knowingly violate or willfully permit to be violated any of the provisions of law applicable to this Retirement System, and that I will diligently and honestly administer the affairs of the said office and duties as a member of the Retirement Board of the School Employees Retirement System of Ohio during the period for which I was appointed.



CATHERINE MOSS

SWORN TO and SUBSCRIBED before me this 21st day of July, 2016.

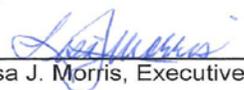


Notary Public

JOSEPH M. MAROTTA
ATTORNEY AT LAW
Notary Public, State of Ohio
My Commission Has No Expiration
Section 147.03 R.C.



ATTESTED BY:



Lisa J. Morris, Executive Director



Barbra Phillips, Chairperson

The eight hundred and ninety-second meeting of the Retirement Board of the School Employees Retirement System was held in the boardroom at 300 E. Broad Street, Columbus, Ohio, on Thursday, July 21, 2016. The meeting convened in open session at 8:31 a.m. and continued with the Pledge of Allegiance. Following the Pledge of Allegiance, the roll call was as follows: Barbra Phillips, Chairperson, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Madonna Faragher. Barbra Phillips excused the absence of James Haller and James Rossler. Also in attendance was Henrique Geigel, representative of the Attorney General, various members of the SERS staff, and members of the public.

**APPROVAL OF MINUTES OF THE RETIREMENT BOARD MEETING HELD ON
June 16, 2016**

Catherine Moss moved and Madonna Faragher seconded the motion to approve the minutes of the Retirement Board meeting held on Thursday, June 16, 2016. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Beverly Woolridge and Barbra Phillips. Abstain: Daniel Wilson. The motion carried.

PENSION REFORM

John Garrett and Todd Green from Cavanaugh Macdonald, SERS' independent actuary, updated the Board on SERS' projected future funding status based on the System's preliminary FY2016 year-end results. They stated that the current plan does not achieve 90% funded status over the 30-year projection period reflecting the estimated 0% return on market value of assets for FY2016.

The actuaries discussed two options for consideration. Under option 1, COLA is indexed to the CPI not greater than 2.5%; retirement allowances or benefits that commence on or after August 1, 2017 shall receive a cost-of-living adjustment applied on the fourth anniversary date following commencement of the retirement allowance or benefit, and; no cost-of-living adjustment shall be applied to a retirement allowance or benefit that commenced before August 1, 2017 for three consecutive years, with such suspension beginning August 1, 2017, and payment of cost-of-living adjustments resuming on anniversary dates on and after August 1, 2020. Option 2 is the same as option 1; however, there would be no delay or suspension of the COLA.

In addition, the Board reviewed SERS' history of Cost of Living Adjustment (COLA) and Ad Hoc changes. Since the COLA was introduced in 1971, it has been changed six times. Over the years, changes included implementing and removing waiting periods, raising and lowering fixed rates, and using a rate tied to the annual Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W).

The Board thanked Mr. Garrett and Mr. Green for their presentation and noted that discussions will continue during the September Board meeting.

Continuing, Barbra Phillips asked Farouki Majeed to present the Investment Report.

INVESTMENT REPORT

Mr. Majeed introduced David Lindberg and Felicia Bennett of Wilshire Associates, SERS' new general investment consultant. Mr. Majeed next provided an economic update and discussed the Investment report for the period ending May 31, 2016. He noted Staff will be conducting a new asset allocation review in the next few months, including determining the role of hedge funds.

Mr. Majeed discussed recent Board information requests regarding the use of internal Fixed Income management. He stated nothing has changed since the subject was addressed with the Board in July 2015. Relative to saving fees, the added complication and value add of managers, it would not be economical at the current size. Mr. Majeed next discussed questions regarding internal management of the Multi-Asset Strategies portfolio and the need for a hedge fund consultant. Staff has reduced the scope and fees of the agreement with Aksia, SERS' hedge fund consultant. It pays for itself because some of the managers reduce their fees due to SERS' relationship with the consultant. Aksia's database and analytical product is very useful for staff in monitoring managers.

The Board thanked Mr. Majeed for his review of the monthly report and comments.

Following, Mr. Majeed invited David Lindberg and Felicia Bennett to address the Board. Ms. Bennett and Mr. Lindberg thanked the Board for the opportunity to work with them. Following comments, the Board thanked Ms. Bennett and Mr. Lindberg for their comments.

SUMMARY OF INVESTMENT TRANSACTIONS

Beverly Woolridge moved and Christine Holland seconded that the following summary of investment transactions made in compliance with the Ohio Revised Code Section 3309.15 during the period of **May 1, 2016** through **May 31, 2016** hereby be approved. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

A. PURCHASES

Asset Class	Approximate Cost (in millions)
US Equities	\$ 68.6
Non-US Equities	131.4
Fixed Income	222.8
Multi-Asset Strategies	10.0
Private Equity Capital Calls	43.2
Real Asset Capital Calls	0.5
Opportunistic	2.9
Cash Equivalents	469.3

B. SALES

Asset Class	Approximate Net Proceeds (in millions)	Approximate Gain/(Loss) (in millions)
US Equities	\$ 74.7	\$ (2.2)
Non-US Equities	155.5	2.0
Fixed Income	190.4	1.1
Multi-Asset Strategies	n/a	n/a
Private Equity distributions	24.9	n/a
Real Asset distributions	4.3	n/a
Opportunistic	2.6	0.4
Cash Equivalents	524.6	n/a

The Board took a recess at 10:29 a.m. and reconvened at 10:45 a.m.

EXECUTIVE DIRECTOR'S UPDATE

Ohio Retirement Study Council (ORSC)

The July ORSC meeting was cancelled. ORSC is hoping to get the subcommittee together in August; the next meeting is tentatively scheduled for August 11th.

New National Institute on Retirement Security (NIRS) Study

Ms. Morris provided a copy of a new research report from the National Institute on Retirement Security entitled, *Preserving Retirement Income for Public Sector Employees*. She stated that as a NIRS "Visionary Circle" member, SERS has long promoted portability research like this because of the national studies that falsely portray public pensions as being relevant only for career members. The research focused on the portability of public pensions and the positive impact pension savings have on the retirement security of short-term members. She also noted that not only do almost all public retirement systems offer DB pensions that provide a stable retirement income, many plans like SERS have implemented plan features that allow employees to increase their benefit through service credit transfers and purchases.

Advocacy Group Meetings

On July 6, Lisa Morris and Laurel Johnson met with AFSCME Ohio Council 8 and Retiree Chapter 1184 for a system update. This was a very positive and interactive meeting. We are working with Larry Malone to schedule a meeting with Joe Rugola, possibly in August. SERS also plans to meet with the Ohio Association of Community Colleges in August.

Legislation

The Governor signed the University of Akron bill in late June; provisions should go into effect around September 26, at which point all new nonteaching employees will become OPERS members.

The federal WEP repeal bill, HR 711 was scheduled for a mark-up on July 13; however, it was later pulled from the agenda. We are hopeful once the summer recess is over this will be put back on the front burner.

MARV Mobile

SERS has an active wellness committee, and is always looking for opportunities that do things well for our staff. On June 21, as part of our wellness program, SERS received a visit from the Capital Area Humane Society's Mobile Adoption and Rescue Vehicle, also known as MARV. The MARV visit provided an opportunity for staff to relieve stress by petting and enjoying the animals. Lilly, a 10-week-old black lab mix, found a new home with one of our staff members. SERS also shared a collage of some of our staff taking a break to enjoy the animals on our SERS Facebook page. It was also shared by the Capital Area Humane Society, who also thanked us for our support. SERS also held a voluntary pet supply drive in coordination with the MARV visit as a thank-you to them.

OTHER

Lisa provided a copy of the talking points staff are using pertaining to recommended COLA changes proposed by SERS' Staff and Actuary to Trustees.

Ms. Morris also reminded Trustees of an upcoming one-day Pension Fund Trustee only Training sponsored by CII and the CFA Institute on September 28 in Chicago, which will focus on ethics and investment issues that Trustees might encounter in the fulfillment of their duties.

REMINDER: Joint Trustees Training is scheduled for November 2 and it will be hosted by OPERS.

LEGISLATIVE REPORT

STATE LEGISLATION BOARD REPORT

131st General Assembly

(Prepared by Laurel Johnson as of July 8, 2016)

HB284 PENSIONS-FEDERAL OFFENSES Mike Dovilla (H7-R-Berea) and Marlene Anielski (H6-R-Walton Hills) To add extortion and perjury and certain federal offenses to the offenses that may result in forfeiture or termination of public retirement system benefits.

Current Status: 05/24/2016 PASSED BY HOUSE

ORSC Position: Approved staff recommendation for passage with amendments

HB305 UNIVERSITY OF AKRON-OPERS MEMBERS Kirk Schuring (H48-R-Canton) To include new nonteaching employees of The University of Akron as members in the Public Employees Retirement System.

Current Status: 06/28/16 SIGNED BY GOVERNOR; Effective in 90 Days

ORSC Position: Approved staff recommendation for passage with amendments

HJR6 DIVEST-TERRORISM SPONSORED COMPANIES Terry Johnson (H90-R-McDermott) To prohibit state agencies and the state's public retirement systems from contracting with and investing in companies with certain business operations in countries designated as state sponsors of terrorism and to require state agencies and public retirement systems to divest investments from such companies.

Current Status: 04/26/2016 House Government Accountability and Oversight, (Second Hearing)

ORSC Position: Staff recommended disapproval

HB520 PUBLIC RETIREMENT SYSTEMS Kirk Schuring, (H48-R-Canton) Dan Ramos, (H56-D-Lorain) To revise the law governing the state's public retirement systems.

Current Status: 05/25/2016 House Health and Aging (Fourth Hearing)

ORSC Position: Staff recommended amendments and approval

FEDERAL LEGISLATION BOARD REPORT
114th United States Congress
(Prepared by Laurel Johnson as of July 8, 2016)

HR 711

SPONSOR: Rep. Kevin Brady (R-TX)

LAST ACTION: 3/22/2016 Hearing in the House Ways and Means Social Security Subcommittee.

CAPTION: Amends title II of the Social Security Act to repeal the windfall elimination provision and protect the retirement of public servants.

COMMENT: The Equal Treatment for Public Servants Act of 2015. Repeals the Windfall Elimination Provision (WEP) and replaces it with a formula that is proportional to a worker's full career earnings. HR 711 has 114 co-sponsors, including eleven Ohioans: Beatty, Chabot, Gibbs, Johnson, Joyce, Latta, Renacci, Ryan, Stivers, Tiberi, and Turner.

HR 973

SPONSOR: Rep. Rodney Davis (R-IL)

LAST ACTIONS: 2/13/2015 Referred to the House Committee on Ways and Means.

CAPTION: Amends title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions.

COMMENT: The Social Security Fairness Act of 2015. Repeals the Government Pension Offset (GPO) and WEP. HR 973 has 152 co-sponsors, including six Ohioans: Beatty, Fudge, Joyce, Kaptur, Ryan, and Turner. Companion bill to S 1651.

S 1651

SPONSOR: Sen. Sherrod Brown (D-OH)

LAST ACTIONS: 6/23/2015 Referred to the Senate Committee on Finance.

CAPTION: Amends title II of the Social Security Act to repeal the Government Pension Offset and Windfall Elimination Provisions.

COMMENT: The Social Security Fairness Act of 2015. Repeals the Government Pension Offset (GPO) and WEP. S 1651 has 24 co-sponsors. Companion bill to HR 973.

HR 4822

SPONSOR: Sen. Devin Nunes (R-CA)

LAST ACTIONS: 3/21/16 Referred to the House Committee on Ways and Means.

CAPTION: To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

COMMENT: The Public Employee Pension Transparency Act. Requires reporting the system's liabilities using a risk-free rate to the Treasury Department for a public database; failure to report would result in the state losing its tax-exempt bonding authority. HR 4822 has eight co-sponsors, but none from Ohio.

JUNE - JULY FEDERAL UPDATE
(Prepared by Jim Miller, as of July 5, 2016)

OVERVIEW

The Congress experienced a particularly turbulent June, and the agenda for the Congress prior to adjournment for the July conventions promises to be equally contentious.

The gun control debate, accompanied by the sit-down demonstration which led to the House suddenly adjourning until July 5; the Supreme Court decision rejecting the administration's immigration policy; the vote in Britain to leave the European Union; continuing terrorist attacks; the debate over Zika funding; the lack of progress on spending bills; and the escalating nasty election campaign have all gone together to continue the very challenging political climate that makes it difficult to achieve legislative solutions to major problems. Compounding the problem is the fact that very few legislative days remain on the calendar for the rest of this year.

HEALTH CARE

Senators Brown and McCain introduced S. 3094, a bill that would reduce the exclusivity period for essential biologic drugs from 12 years to seven years. The companion bill in the House is H.R. 5573. Representative Kaptur is one of the cosponsors.

While this legislation is likely to see little action this year, hopefully it lays the groundwork for serious consideration in the new Congress. The bill has been endorsed by AARP, AFSCME, and the Public Sector HealthCare Roundtable, among others.

In a reversal of positions, the FDA has withdrawn guidance released on June 2 that directed manufacturers of biologics and biosimilars to propose as many as 10 suffixes for the name of each drug. A spokesman for the FDA said "the publication of the notice was an administrative error" and that the "FDA would continue to review comments and work on final guidance."

Developing naming standards for biosimilars has been a controversial topic from the very beginning. The Roundtable and many other groups have continuously advocated that biologics and biosimilars should be required to have the same INN with no suffix added.

Senator Leahy introduced S. 3056, which is intended to block what is described as anticompetitive practices that keep some generic drugs off the market. Generic drug manufacturers charge that brand-name drug companies use risk evaluation and mitigation strategies to deny generic firms access to their products in order to block the development of competing generic drugs. The bill would allow generic drug companies to bring federal lawsuits and seek damages in response to such actions. The Public Sector HealthCare Roundtable, of which SERS is a member, has submitted a letter in support of the legislation.

SOCIAL SECURITY

H.R. 711 now has 111 sponsors, including 11 members from the Ohio delegation. A recent meeting with Chairman Brady revealed that he would like to mark-up the bill prior to July 15. A revised letter from the SSA Actuary was sent to Brady in late June, and as the date of this report, he was still waiting for the score from CBO.

Once that process is complete, Brady will be able to determine if any other changes in the language will be required. He has already dropped any consideration of adding a GPO component to the bill; dropped enforcement-related language; and delayed implementation for a year.

The Ways and Means Committee has been primarily focusing on the 2016 Social Security Trustees Report. The report states that if Social Security proceeds along the current path with no changes, it will not be able to pay full benefits starting in 2034. At that time, beneficiaries would receive only 79 percent of their scheduled benefits.

FINANCE

On June 16, the House Financial Services committee voted out H.R. 5311, a bill that would create a new mandatory registration scheme for proxy advisory firms and create significant burdens on them that could endanger the viability of most, or all, of the five firms that provide advisory services in the U.S. market.

Included in the requirements: each proxy advisory firm would be required to share draft reports to the management of companies subject to recommendations; employ an ombudsman to receive complaints; and resolve complaints before the vote takes place.

On June 14, an Ohio system sent a letter to members of Congress stating its concern that the bill could have a significant cost impact on the ability of the system to effectively vote its proxies and fulfill its fiduciary obligations. Proxy voting is an important part of the board's fiduciary responsibility, and research from proxy advisory firms plays an important part in voting decisions. The bill is yet to be voted on in the House.

The House Financial Services Committee continues its efforts to derail the Dodd-Frank law. The latest efforts center on the draft Financial Services appropriations bill, and Chairman Hensarling's release of a draft of the Republicans "Financial Choice Act," which is their alternative to the Dodd-Frank Act. The efforts to consider the appropriations draft were delayed as a result of the sit-in by the Democrats over gun control issues. Partisan gridlock is very likely to thwart any substantive changes to Dodd-Frank, but such moves will provide messaging opportunities for both parties in this election campaign.

The committee has also been focused on the investigation of terrorism financing with the Terrorism Task Force holding its last scheduled hearing on June 23. The next steps will be the release of its report, and the subsequent introduction of legislation. Recent events, both in Europe and the United States, have heightened concern in the Congress on this issue. Depending on the language in the bill, once it is introduced, this issue could see action yet this year.

On June 21 and 22, the Senate Banking committee heard testimony from Federal Reserve Chair Janet Yellen on monetary policy and the state of the economy, as well as the pending BREXIT vote. On June 23, the committee held a hearing concerning bank capital and liquidity. During the hearing, Ranking Member Sherrod Brown made numerous comments pointing out the virtues of the Dodd-Frank law.

PUERTO RICO

On June 9, the House passed H.R. 5278, otherwise known as PROMESA, by a bipartisan vote of 297-127. The bill establishes a new seven-member advisory board that will manage the financial recovery efforts for Puerto Rico. The bill did not include any SAFE or PEPTA-related language for any of the 50 states' pension plans, but there is some PEPTA-like language for Puerto Rico only. The Ohio House vote saw Chabot, Johnson, Kaptur, Latta, Stivers, Turner, Westrup, Gibbs, and Beatty supporting the bill; and Joyce, Ryan, Renacci, Tiberi, Fudge, and Jordan voting against it.

On June 29, the Senate approved the legislation by a 68-30 vote. Brown and Portman voted against it because they are trying to pressure McConnell into having a vote on coal miner pensions, and they had hoped to include that language in the Puerto Rico bill.

The President signed the bill into law on June 30.

RETIREMENT SECURITY

The concern about retirement security took a new twist this month with the introduction of a bipartisan bill by Senators Warren and Daines. The bill would create a national online lost-and-found site to enable workers who change jobs to find accounts sponsored by former employers. The sponsors' contention is that workers who change jobs often find it difficult to move small accounts, and as a result, these are often lost or neglected. Accounts with \$1,000 or less would be transferred to Treasury, so people could easily find their money.

The Center for State and Local Government Excellence released a report by Alicia Munnell and Jean-Pierre Aubry that paints a mixed view of public pension funding.

On the positive side, the report shows that in the aggregate, the largest 160 plans that cover 90 percent of state and local workers have not only stabilized funding, but also shown slight improvement.

On the negative side, the report suggests that going forward the picture looks very different. Munnell and Aubry project that interest rate growth and the impact of an aging population will slow GDP growth. They also cite competition from emerging markets and technology disruptions that will put downward pressure on corporate margins that have been high. The report also includes U.S. equity return projections for the next 5-20 years from eight investment firms. The average of the projected returns is less than five percent.

Whether or not these projections come true, the report has the potential for the Arnold Foundation or its array of Arnold-funded attack dog groups to use it as ammunition to escalate the fear campaign about the crisis in public pension funding, and the forthcoming burden on taxpayers. It will also help Arnold groups to continue to raise questions about the viability of defined benefit plans in the future.

The Arnold-funded Retirement Security Initiative has a new Executive Director. His name is Pete Constant, former Director of the Pension Integrity Project at the Reason Foundation (also funded by Arnold). Prior to that, Constant was a councilmember for the City of San Jose, whose Mayor at the time was Chuck Reed. Reed is a major Arnold-funded spokesperson and leader in the effort to get taxpayer-say on pension policy on the California ballot next year. Constant also served as a trustee on two different local government pension funds in San Jose.

Another event in Kentucky has captured much attention in the public pension industry: the governor's reorganization of the board overseeing the Kentucky Retirement System. The governor kept the current 13 members and appointed four new members. There are only six elected members on the board, so the governor's action gives him the potential to control the board.

Also in Kentucky, a new group has been formed to educate taxpayers about the problems it perceives with the state's pension plans: the Bluegrass Institute Reform Team. Among other changes, the group plans to advocate for a final average salary using the entire career, and reducing the benefit formula from 2.5 percent to 1.5 percent.

SUMMARY OF KEY ACTIVITIES

1. Participated in Washington meeting with Chairman Brady
2. Provided information to key Ohio members and related associations concerning language in PROMESA
3. Monitored progress of the Puerto Rico legislation in the Senate
4. Responded to inquiries about S. 3094 and provided information to Portman's staff about the bill
5. Numerous discussions with Ways and Means staff and representatives from other groups concerning developments with the Brady legislation
6. In-person briefing with SERS on legislative issues

Concluding the Executive Director's update, the Board asked Anne Jewel to provide a report on health care.

HEALTH CARE REPORT

Prior to presenting the health care update, Ms. Jewel recognized the long-time service of SERS' employee, Tammie Litz, who is retiring at the end of this month. Ms. Jewel then provided a brief update on the SERS Medicare Part B monthly reimbursement program (\$45.50). She noted that in July, approximately 800 people received letters informing them that their SERS' Part B reimbursement would end August 1st because SERS recently learned that their Part B premium is being paid by Medicaid; therefore, they would no longer be entitled to reimbursement. As a result, only a handful of cancellations have been reversed due to data errors.

Ms. Jewel then asked Christi Pepe, Assistant Health Care Director and Mark Jarvis, Medical Program Coordinator to discuss the SERS Marketplace Wraparound Plan.

Marketplace Wraparound Discussion: Ms. Pepe presented the new SERS coverage option, highlighting the potential savings to SERS benefit recipients. This option only applies to non-Medicare plan participants. Ms. Pepe walked the Board through a handout which compared the cost of current coverage to the cost of coverage in the Marketplace with the SERS wrap benefit for two hypothetical people with different incomes. The handout was based on the benefits offered by a Marketplace plan offered by CareSource, which Ms. Pepe explained has agreed to become a preferred partner with SERS and HealthSCOPE. As a preferred partner, CareSource has agreed to electronically exchange claims and enrollment data with HealthSCOPE, relieving the member from the need to send evidence of a claim in order to receive reimbursement for the wrapped benefits.

Members may choose any plan available on the Marketplace for their underlying coverage and SERS will provide the wraparound benefits. For plans other than CareSource, the member must provide evidence of the claim to HealthSCOPE in order to receive the reimbursement.

Ms. Jewel noted that the SERS Marketplace Wraparound Plan can provide more affordable coverage than our current plan for people with lower household income because they are eligible for relatively larger federal subsidies available through the Marketplace.

Mr. Jarvis then spoke to the potential savings to the SERS health care fund under the Marketplace Wraparound option. He also addressed the costs to administer the plan. Mr. Jarvis noted that the average cost of a member in SERS' group coverage significantly exceeds the projected cost of coverage under the wraparound benefit including the administrative fees. SERS would spend significantly less if members chose the wrap plan. Mr. Jarvis explained that health insurance costs would be reduced for both the member and SERS.

HEALTHSCOPE CONTRACT

Catherine Moss moved and Christine Holland seconded to authorize staff to negotiate with HealthSCOPE Benefits, Inc. to secure a contract for administrative services to be provided to SERS non-Medicare eligible plan participants who enroll in limited wraparound coverage under the Affordable Care Act. The contract shall be effective upon execution by both parties, for a term ending December 31, 2019, with the option for two one-year extensions. The Executive Director or Deputy Executive Director shall have the authority to execute any documents necessary to secure these services, subject to documentation satisfactory to legal counsel. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried

APPROVAL TO FUND LIMITED WRAPAROUND COVERAGE

It was moved by Madonna Faragher and seconded by Catherine Moss to provide limited wraparound coverage under the Affordable Care Act to SERS non-Medicare eligible plan participants for calendar years 2017, 2018, and 2019. The cost of coverage shall not exceed the federal limits for such coverage and shall be paid exclusively from the Health Care Fund. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Dawn Viggiano, Staff Counsel, noted that Health Care staff have identified various amendments that are needed to implement the Early Medicare and Wraparound coverage initiatives. An amendment to the definitions section makes clear that the detailed health care program requirements contained in the rule also apply to the limited wraparound coverage SERS will offer beginning in 2017.

Ms. Viggiano stated that there are also amendments to the list of qualifying events which permit a benefit recipient or dependent who previously waived SERS' coverage to re-enroll. The rule clarifies that a benefit recipient's eligibility for Medicare is a qualifying event, including individuals who qualify for Medicare prior to age 65. Voluntary termination of coverage under Medicaid is also added as a qualifying event.

FILING OF PROPOSED AMENDED ADMINISTRATIVE RULE

Legal Counsel discussed with the Retirement Board filing with JCARR the following proposed amended rule: 3309-1-35, Health care.

3309-1-35 Health care.

(A) Definitions

As used in this rule:

- (1) "Benefit recipient" means an age and service retirant, disability benefit recipient, or a beneficiary as defined in section 3309.01 of the Revised Code, who is receiving monthly benefits due to the death of a member, age and service retirant or disability benefit recipient.
- (2) "Member" has the same meaning as in section 3309.01 of the Revised Code.
- (3) "Age and service retirant" means a former member who is receiving a retirement allowance pursuant to section 3309.34, 3309.35, 3309.36 or 3309.381 of the Revised Code. A former member with an effective retirement date after June 13, 1986 must have accrued ten years of service credit, exclusive of credit obtained after January 29, 1981 pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code.
- (4) "Disability benefit recipient" means a member who is receiving a benefit or allowance pursuant to section 3309.35, 3309.39, 3309.40 or 3309.401 of the Revised Code.
- (5) "Dependent" means an individual who is either of the following:
 - (a) A spouse of an age and service retirant, disability benefit recipient, or member,

(b) A biological, adopted or step-child of an age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member or other child in a parent-child relationship in which the age and service retirant, disability benefit recipient, member, deceased age and service retirant, deceased disability benefit recipient, or deceased member has or had custody of the child, so long as the child:

(i) Is under age twenty-six, or

(ii) Regardless of age is permanently and totally disabled, provided that the disability existed prior to the age and service retirant's, disability benefit recipient's, or member's death and prior to the child reaching age twenty-six. For purposes of this paragraph "permanently and totally disabled" means the individual is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than twelve months.

(6) "Health care coverage" means either of the following group plans offered by the system:

(a) the a medical plan and the prescription drug plan offered by the system, or

(b) limited wraparound coverage, which provides limited benefits that wrap around an individual health insurance plan.

(7) "Premium" means a monthly amount that may be required to be paid by a benefit recipient to continue enrollment for health care coverage for the recipient or the recipient's eligible dependents.

(8) "Employer" and "public employer" have the same meaning as in section 3309.01 of the Revised Code.

(B) Eligibility

(1) A person is eligible for health care coverage under the school employees retirement system's health care plan so long as the person qualifies as one of the following:

(a) An age and service retirant or the retirant's dependent,

(b) A disability benefit recipient or the recipient's dependent,

(c) The dependent of a deceased member, deceased age and service retirant, or deceased disability benefit recipient, if the dependent is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code,

(d) The dependent child of a deceased member, deceased disability benefit recipient, or deceased age and service retirant if the spouse is receiving a benefit pursuant to section 3309.45 or 3309.46 of the Revised Code and the spouse elects to be covered.

(2) Eligibility for health care coverage shall terminate when the person ceases to qualify as one of the persons listed in paragraph (B)(1) of this rule, except that a dependent described in paragraph (A)(5)(b)(i) of this rule shall cease to qualify on the first day of the calendar year following the dependent's twenty-sixth birthday.

(3) Except for a dependent described in paragraph (A)(5)(b) of this rule, eligibility for health care coverage shall terminate when the person is not enrolled in medicare part B and on or after January 1, 2016 commences employment that provides access to a medical plan with prescription coverage through the employer, or if employees of that employer in comparable

positions have access to a medical plan available through the employer, provided the medical plan with prescription drug coverage available through the employer is equivalent to the medical plan with prescription coverage at the cost available to fulltime employees as defined by the employer. For purposes of this paragraph, employer means a public or private employer.

(C) Enrollment

- (1) Except as otherwise provided in this rule, an eligible benefit recipient may enroll in school employees retirement system's health care coverage only at the time the benefit recipient applies for an age and service retirement, disability benefit, or monthly benefits pursuant to section 3309.45 of the Revised Code.
- (2) An eligible spouse of an age and service retirant or disability benefit recipient may only be enrolled in the system's health care coverage at the following times as follows:
 - (a) At the time the retirant or disability benefit recipient enrolls in school employees retirement system's health care coverage ~~;~~ ~~or~~;
 - (b) Within thirty-one days of the eligible spouse's:
 - (i) Marriage to the retirant or disability benefit recipient;
 - (ii) Attaining age sixty-five; Voluntary or involuntary termination of health care coverage under medicaid; or
 - (iii) Involuntary termination of health care coverage under another plan, including a medicare advantage plan, or medicare part D plan.
 - (c) Within ninety days of becoming eligible for medicare.
- (3) An eligible dependent child of an age and service retirant, disability benefit recipient, or deceased member may be enrolled in the system's health care coverage at the following times as follows:
 - (a) At the time the retirant, disability benefit recipient, or surviving spouse enrolls in school employees retirement system's health care coverage ~~;~~ ~~or~~;
 - (b) Within thirty-one days of the eligible dependent child's:
 - (i) Birth, adoption, or custody order;
 - (ii) Voluntary or involuntary termination of health care coverage under medicaid; or
 - (iii) Involuntary termination of health care coverage under another plan, medicaid, including a medicare advantage plan, or medicare part D plan.
 - (c) Within ninety days of becoming eligible for medicare.

(D) Cancellation of health care coverage

- (1) Health care coverage of a person shall be cancelled when:
 - (a) The person's eligibility terminates as provided in paragraph (B)(2) of this rule;
 - (b) The person's eligibility terminates as provided in paragraph (B)(3) of this rule;
 - (c) The person's health care coverage is cancelled for default as provided in paragraph (F) of this rule;

- (d) The person's health care coverage is waived as provided in paragraph (G) of this rule;
- (e) The person's health care coverage is cancelled due to the person's enrollment in a medicare advantage plan or medicare part D plan as provided in paragraph (H) of this rule;
- (f) The health care coverage of a dependent is cancelled when the health care coverage of a benefit recipient is cancelled; or
- (g) The person's benefit payments are suspended for failure to submit documentation required to establish continued benefit eligibility under division (B)(2)(b)(i) of section 3309.45 of the Revised Code, division (F) of section 3309.39 of the Revised Code, or division (D) of section 3309.41 of the Revised Code.

(E) Effective date of coverage

- (1) The effective date of health care coverage for persons eligible for health care coverage as set forth in paragraph (B) of this rule shall be as follows:
 - (a) For a disability benefit recipient or dependent of a disability benefit recipient, health care coverage shall be effective on the first of the month following the determination and recommendation of disability to the retirement board or on the benefit effective date, whichever is later.
 - (b) For an age and service retiree or dependent of an age and service retiree, health care coverage shall be effective on the first of the month following the date that the retirement application is filed with the retirement system or on the benefit effective date, whichever is later.
 - (c) For an eligible dependent of a deceased member, deceased disability benefit recipient, or deceased age and service retiree, health care coverage shall be effective on the effective date of the benefit if the appropriate application is received within three months of the date of the member's or retiree's death, or the first of the month following the date that the appropriate application is received if not received within three months of the date of the member's or retiree's death.

(F) Premiums

- (1) Payment of premiums for health care coverage shall be by deduction from the benefit recipient's monthly benefit. If the full amount of the monthly premium cannot be deducted from the benefit recipient's monthly benefit, the benefit recipient shall be billed for the portion of the monthly premium due after any deduction from the monthly benefit.
- (2) Premium payments billed to a benefit recipient shall be deemed in default after three consecutive months of nonpayment. A benefit recipient who is in default shall be sent notice by certified U.S. mail informing the benefit recipient that payments are in default and that coverage will be cancelled on the first day of the month after the date of the notice unless payment is received. If coverage is cancelled due to a recipient's failure to pay premium amounts in default, the recipient shall remain liable for such amounts due for the period prior to cancellation of coverage.
- (3) After cancellation for default, health care coverage can be ~~reestablished and coverage~~ reinstated as provided in paragraph (I) of this rule, or upon submission of an application for reinstatement supported by medical evidence acceptable to SERS that demonstrates that the default was caused by the benefit recipient's physical or mental incapacity. "Medical evidence" means documentation provided by a licensed physician of the existence of the mental or physical incapacity causing the default. Health care coverage reinstated after

termination for default shall be effective on the first of the month following the date that the application for reinstatement is approved.

- (4) A person enrolled in SERS' health care plan cannot receive a premium subsidy unless that person is:
- (a) A dependent child.
 - (b) An age and service retirant:
 - (i) An age and service retirant with an effective retirement date before August 1, 1989; or
 - (ii) An age and service retirant with an effective retirement date on or after August 1, 1989 and before August 1, 2008 who had earned fifteen years of service credit; or
 - (iii) An age and service retirant with an effective retirement date on or after August 1, 2008 who had earned twenty years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding retirement or separation from SERS service.
 - (c) A disability benefit recipient:
 - (i) A disability benefit recipient with an effective benefit date before August 1, 2008; or
 - (ii) A disability benefit recipient with an effective benefit date on or after August 1, 2008 who:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding separation from SERS service.
 - (d) A spouse:
 - (i) A spouse or surviving spouse of an age and service retirant or disability benefit recipient with an effective retirement date or benefit date before August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code;
 - (ii) A spouse or surviving spouse of an age and service retirant or disability benefit recipient with an effective retirement date or benefit date on or after August 1, 2008 who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, and who:
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of retirement or separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least

three of the last five years of service preceding retirement or separation from SERS service.

- (iii) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date before August 1, 2008; or
- (iv) A surviving spouse of a deceased member who had earned twenty-five years of service credit, exclusive of credit obtained after January 29, 1981, pursuant to sections 3309.021, 3309.301, 3309.31, and 3309.33 of the Revised Code, with an effective benefit date on or after August 1, 2008, and the member;
 - (a) Was eligible to participate in the health care plan of his or her employer at the time of death or separation from SERS service; or
 - (b) Was eligible to participate in the health care plan of his or her employer at least three of the last five years of service preceding the member's death or separation from SERS service.
- (e) For purposes of determining eligibility for a subsidy under paragraph (F)(4) of this rule, when the last contributing service of an age and service retiree, disability benefit recipient, or member was as an employee as defined by division (B)(2) of section 3309.01 of the Revised Code, the health care plan participation requirement shall be if the individual would have been eligible for the public employer's health care plan if the individual were an employee as defined by division (B)(1) of section 3309.01 of the Revised Code.
- (f) Any other individual covered under a SERS health care plan shall be eligible for a premium subsidy under the standard set forth for spouses.
- (g) In all cases of doubt, the retirement board shall determine whether a person enrolled in a SERS health care plan is eligible for a premium subsidy, and its decision shall be final.

(G) Waiver

- (1) A benefit recipient may waive health care coverage by completing and submitting a SERS waiver form to SERS.
- (2) The health care coverage of a benefit recipient's dependent may be waived as follows:
 - (a) For non-medicare eligible dependents, the benefit recipient may waive their coverage by completing and submitting a signed written request to SERS on their behalf.
 - (b) For medicare eligible dependents, the dependent may waive their coverage by completing and submitting a signed written request to SERS.

(H) Medicare advantage or medicare part D

SERS shall cancel the health care coverage of a benefit recipient or dependent who enrolls in a medicare advantage or medicare part D plan that is not offered by the system unless SERS receives proof of cancellation within fourteen days of receipt of notice of enrollment. The cancellation shall be effective on the first day of the month after SERS notifies the benefit recipient that the coverage has been cancelled.

(I) Reinstatement to SERS health care coverage

- (1) An eligible benefit recipient, or dependent of a benefit recipient with health care coverage,

whose coverage has been previously waived or cancelled may be reinstated to SERS health care coverage by filing a health care enrollment application as follows:-

- (a) The application is received no later than ninetythirty-one days after reaching age sixty-five becoming eligible for medicare. Health care coverage shall be effective the later of the first day of the month after reaching sixty-five becoming medicare eligible or receipt of the enrollment application by the system;
 - (b) The application is received no later than thirty-one days after voluntary or involuntary termination of coverage under medicaid. Health care coverage shall be effective the later of the first day of the month after termination of coverage or receipt of proof of termination and the enrollment application by the system; or
 - (b) The application is received no later than thirty-one days after involuntary termination of coverage under another plan, medicaid, medicare advantage plan, or medicare part D plan with proof of such termination. Health care coverage shall be effective the later of the first day of the month after termination of the other plan or receipt of proof of termination and the enrollment application by the system.
- (2) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(gf) of this rule shall be reinstated to SERS health care plan when benefit payments are reinstated.
 - (3) An eligible person whose coverage was cancelled pursuant to paragraph (D)(1)(b) of this rule may be reinstated to SERS health care plan when they no longer have access to the medical plan of an employer by filing a health care enrollment application within thirty-one days of the employment ending.
 - (4) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled and who is enrolled in medicare parts A and B or medicare part B only on December 31, 2007 may be reinstated to SERS health care coverage by filing a healthcare enrollment application during the period of time beginning October 1, 2007 and ending November 30, 2007. Health care coverage shall be effective January 1, 2008.
 - (5) An eligible benefit recipient or dependent of a benefit recipient with health care coverage, whose coverage has been previously cancelled pursuant to paragraph (H) of this rule and who is enrolled in medicare parts A and B or medicare part B only on June 30, 2009 may be reinstated to SERS health care coverage by filing a health care enrollment application during the period of time beginning May 21, 2009 and ending July 15, 2009.
 - (6) An eligible benefit recipient who had an effective retirement or benefit date on or after August 1, 2008, who qualifies for a premium subsidy under paragraph (F)(4) of this rule, and whose coverage has previously been waived as provided in paragraph (G) of this rule, may be reinstated to school employees retirement system health care coverage by submitting a complete health care enrollment application on or before December 14, 2012. Health care coverage shall be effective January 1, 2013.
 - (7) An eligible benefit recipient for whom SERS is transferring funds to another Ohio retirement system in accordance with paragraph (G) of rule 3309-1-55 of the Administrative Code may be reinstated to SERS health care coverage by submitting a health care enrollment application during open enrollment periods for health care coverage starting January 1, 2015 or January 1, 2016.
- (J) Medicare part "B"
- (1) A person who is enrolled in SERS' health care shall enroll in medicare part B at the person's first eligibility date for medicare part B.

- (2)
- (a) The board shall determine the monthly amount paid to reimburse an eligible benefit recipient for medicare part B coverage. The amount paid shall be no less than forty-five dollars and fifty cents, except that the board shall make no payment that exceeds the amount paid by the recipient for the coverage.
 - (b) As used in paragraph (J) of this rule, an "eligible benefit recipient" means:
 - (i) An eligible person who was a benefit recipient and was eligible for medicare part B coverage before January 7, 2013, or
 - (ii) An eligible person who is a benefit recipient, is eligible for medicare part B coverage, and is enrolled in SERS' health care.
- (3) The effective date of the medicare part "B" premium-reimbursement to be paid by the board shall be as follows:
- (a) For eligible benefit recipients who were ~~a benefit recipients~~ and were eligible for medicare part B coverage before January 7, 2013 the later of:
 - (i) January 1, 1977; or
 - (ii) The first of the month following the date that the school employees retirement system received satisfactory proof of coverage.
 - (b) For eligible benefit recipients not covered under paragraph (J)(3)(a) of this rule, the later of:
 - (i) The first month following the date that the school employees retirement system received satisfactory proof of coverage, or
 - (ii) The effective date of SERS health care.
- (4) The board shall not:
- (a) Pay more than one monthly medicare part "B" premium-reimbursement when a benefit recipient is receiving more than one monthly benefit from this system; nor
 - (b) Pay a medicare part "B" premium-reimbursement to a benefit recipient who is receiving eligible for reimbursement ~~for this premium~~ from any other source.

Christine Holland moved and Beverly Woolridge seconded that proposed amended rule 3309-1-35 be filed with JCARR as discussed. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

Health Care Subsidy Discussion: Continuing, Ms. Jewel provided information on the premium subsidies provided by the Healthcare program to lower enrollee premium cost. Ms. Jewel outlined four possible ways that the healthcare subsidy amount could be lowered and what the impact of each change would be on enrollees and the corresponding cost savings to the Healthcare program. The four options for subsidy changes that were discussed included the discontinuation of spousal premium subsidy; discontinuation of dependent premium subsidy; no subsidy for less than 25 years of service; and, lowering the subsidy for all enrollees by 5%. Staff recommended that the Board only consider discontinuation of the spousal and dependent premium subsidies at this time. No action was taken. Ms. Jewel thanked the Board.

The Board thanked Ms. Jewel for her presentation.

The Board took a recess at 12:43 p.m., and reconvened at 1:34 p.m.

EXECUTIVE SESSION

At 1:34 p.m., Beverly Woolridge moved and Catherine Moss seconded the motion that the Board go into Executive Session pursuant to section 121.22 (G)(5) of the Ohio Revised Code to review applications for Disability Retirement Benefits. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

The Board returned to open session at 2:01 p.m.

SMART UPDATE

John Grumney, Director, Member Services and Jay Patel, Chief Technology Officer, introduced Pyiush Jain, CEO and Sanjay Gupte, Project Director of Sagitec. Mr. Jain began by thanking the Board for partnering with Sagitec, and stated that they are a software solutions and integration company, focused on pension systems for state and local governments. Mr. Jain continued by giving a brief overview of where they currently are in the project. He acknowledged that problems have occurred during the duration of the SMART project; however, their interests is also seeing that this project come into fruition. Mr. Jain discussed the SMART project timeline, stating that in hindsight, it is always good to go-live in the beginning of the year and believes that Sagitec is on-schedule.

Mr. Gupte then discussed the base timeline, and acknowledged missing some milestones. However, Sagitec is monitoring the risks going forward and is very confident in going live in January 2017. Mr. Gupte outlined the current status, which included ongoing and pending tasks. Mr. Gupte stated that from the very beginning of the project, Sagitec has been working to transfer technical knowledge to SERS. However, throughout the duration of this assignment, there have been changes to the original scope of the project, such as: functionality changes required by legislative changes (Pension Reform-SB42); changes in correspondence, ongoing enhancements to SMART (leverage new features); and, Enhanced Technical Knowledge Transfer (TKT). There has also been lessons learned: big bang versus phased implementation; ability to adapt and reset with organizational changes (reset of relationships when leadership changes); improved and proactive communication; and, establishing a clear and robust governance structure.

Mr. Wilson stated that he has no confidence in Sagitec's ability to stay on schedule, and believes the changes that have occurred as noted above do not account for the entire period of time. Mr. Jain acknowledged Mr. Wilson's comments, and further acknowledged that there have been delays; however, other factors are to be considered.

Mr. Grumney noted that the User Acceptance Testing (UAT) is the next big milestone; it will be the first big opportunity for staff to go in and see any changes and find any problems. Once staff is engaged in UAT, we hope that everything works as plans; however, we also realize that there will be some challenges. Mr. Grumney stated that there is an 80-day timeframe, and if there are any big changes this can prolong the process. In summary, Mr. Grumney noted that SERS will have a good product, and SERS' members will benefit from it.

The Board thanked Mr. Jain and Mr. Gupte.

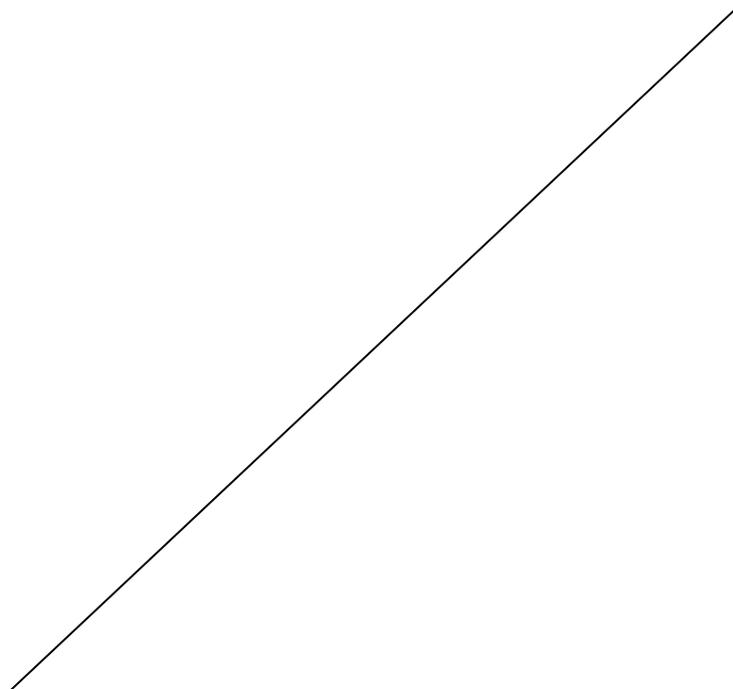
ELECTION OF EMPLOYEE MEMBERS TO THE RETIREMENT BOARD

Catherine Moss moved and Christine Holland seconded that the following resolution be adopted:

BE IT RESOLVED by the Retirement Board of the School Employees Retirement System that the election of two employee members of the Retirement Board for the term beginning July 1, 2017 and ending June 30, 2021, shall be as provided herewith:

1. Any member of the Retirement System, other than a disability recipient, shall be eligible for election and the name of any member who is nominated by a petition, meeting the following requirements, shall be placed upon the ballot as a regular candidate. The petitions shall be signed by at least five hundred (500) members of the Retirement System of which there shall be not less than twenty (20) signers each from at least ten (10) counties wherein such members are employed; shall indicate the employer and county of employment of each signing member; shall be signed on or after September 2, 2016; and the original petitions, along with the originals of any other completed required forms, must be received in the office of the Retirement System no later than 4:30 p.m., EST, December 2, 2016.
2. All ballots, to be considered valid, must be received in the office of the Retirement System no later than 4:30 p.m. EST, March 6, 2017.
3. All ballots delivered to the office of the Retirement System shall be delivered unopened to judges appointed by the Retirement Board. The judges shall meet, make final determination of the validity of the ballots within the intent of this resolution, count the valid ballots on March 7, 2017, and announce the results of the election.
4. The election shall be conducted in accordance with the Retirement Board's election laws as well as its election rule, policy, and procedure.

Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.



Continuing, Henrique Geigel, Assistant Attorney General, discussed with the Board the member appeal.

MEMBER APPEAL

Mr. Geigel stated that SERS member, Cheryl Clift, has appealed a Final Staff Determination finding that the period of time Ms. Clift received workers' compensation was not contributing service or a date from which to measure the two year deadline for filing a disability application. Mr. Geigel stated that the key statutory provisions at issue in this appeal are R.C. 3309.39(D) and R.C. 3309.01(D):

R.C. 3309.39(D) provides "Application for a disability benefit must be made within two years from the date the member's contributing service terminated, unless the board determines that the member's medical record demonstrate conclusively that at the time the two0year period expired, the member was physically or mentally incapacitated for duty as an employee and unable to make application.****"

R.C. 3309.01(D) defines "total service," "total service credit," or "Ohio service credit" to mean "all contributing service of a member of the school employees retirement system, and all prior service, computed as provided in this chapter, and all service established pursuant to sections 3309.31, 3309.311, and 3309.33 of the Revised Code. In addition, 'total service' includes any period, not in excess of three years, during which a member was out of service and receiving benefits from the state insurance fund, provided the injury or incapacity was the direct result of school employment."

MEMBER APPEAL- AFFIRM STAFF DETERMINATION

Madonna Faragher moved and Catherine Moss seconded to affirm the May 4, 2016 final staff determination that service credit for a period of time off work while receiving workers' compensation is not contributing service, nor a date from which to measure the two year deadline for filing an application for a disability benefit. Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

INFORMATION SECURITY UPDATE

Dale Robertson and Sean Thomas provided an update on Information Security for the 4th Quarter. Mr. Robertson began by discussing accomplishments, projects in-progress, and upcoming security initiatives. Also during the 4th quarter, Information Security completed Phase 1 system architecture assessment and initiated Phase II application penetration testing for SMART security. Mr. Robertson noted that every year SERS brings in a consultant for security awareness; during this quarter, staff completed awareness training. Mr. Robertson stated that Information Security is now in the process of evaluating vendors for SMART Security Penetration testing; the vendor will have the ability to evaluate internal and portal applications.

In looking to the 1st quarter of FY17, Mr. Robertson stated that SERS needs to be sure that they are prepared in the event of a catastrophic event. Once User Acceptance Testing (UAT) is complete, Information Security will begin performance testing at SERS' hot-site location. Mr. Robertson informed the Board that Information Security has prepared a 3-5 year strategic plan. He stated that the first year of the plan will be defining standardized reporting and metrics, initiating third party due diligence strategy, and designing risk reporting framework.

Mr. Thomas outlined initiatives in the Strategic Plan, noting that the Plan will cover its purpose, program pillars, program maturity, goals and strategies, and timeline:

Purpose: outline specific steps to mature the cybersecurity posture of SERS over the next 2-3 years.

Program Pillars: to provide continual guidance for the program. One or more domains of the Cybersecurity Capability Maturity Model (C2M2) map to each pillar, providing the program with a means of measuring the overall cybersecurity posture of the organization. All of this is built on a risk management concept and aligns to the cybersecurity capability model.

Program Maturity: the C2M2 provides ten functional areas, or domains, for assessing the maturing of an information security program.

Goals and Strategies: outlines several high-level goals for each of the pillars supported by specific strategies for maturing the program.

Timeline: taking us from approach of ad hoc process to measurable process within the next three years. Annual assessments using the C2M2 model will measure progress.

In response to Mr. Wilson's questions: what are the immediate risks and what are we (SERS) doing to protect itself; Mr. Robertson stated that there will always be risk. If a capable adversary determines that they want to attack an organization, they will succeed if they are determined enough. It is detection and response – having the ability to detect and respond immediately to an attack. There are many mechanisms for an opportunity of exploit; the key today is early detection and early response. Ms. Deisler further stated that this plan is suggesting a strategic approach. Information Security adopted a model to continue to move forward in order to document and measure ourselves.

The Board thanked Ms. Deisler, Mr. Robertson and Mr. Thomas for their presentation.

APPROVAL OF OUT OF STATE BOARD TRAVEL

Catherine Moss moved and Beverly Woolridge seconded the motion that requests by Board Members to attend and receive reimbursement for the following out-of-state conferences and meetings be approved: Upon roll call, the vote was as follows: Yea: Madonna Faragher, Christine Holland, Catherine Moss, Daniel Wilson, Beverly Woolridge and Barbra Phillips. The motion carried.

Conference	Attendee	Conference Dates	Conference Location	Estimate of Expenses
Council of Institutional Investors Fall 2016	Barbra Phillips	Sept 28-30, 2016	Chicago, IL	\$ 2,166.02
IFEBP - International and Emerging Market Investing - Wharton	Beverly Woolridge	July 25-27, 2016	San Francisco, CA	\$ 6,000.00
Council of Institutional Investors Fall 2016	Madonna Faragher	Sept 28-30	Chicago, IL	\$2,240.81

The Board continued with the review of calendar dates and future Board meetings.

CALENDAR DATES FOR FUTURE BOARD MEETINGS

2016

September 15 and 16 (Thurs. and Fri.)
October 20 and 21 (Thurs. and Fri.)
November 17 and 18 (Thurs. and Fri.)
December 15 and 16 (Thurs. and Fri.)

2017

February 15 Board Retreat (Wed.)
February 16 and 17 (Thurs. and Fri.)
March 16 and 17 (Thurs. and Fri.)
April 20 and 21 (Thurs. and Fri.)
May 18 and 19 (Thurs. and Fri.)
June 15 and 16 (Thurs. and Fri.)
July 20 and 21 (Thurs. and Fri.)
September 21 and 22 (Thurs. and Fri.)
October 19 and 20 (Thurs. and Fri.)
November 16 and 17 (Thurs. and Fri.)
December 21 and 22 (Thurs. and Fri.)

****NOTE:** *The above dates are tentative.*

BOARD INFORMATION REQUESTS AND FOLLOW-UP ITEMS

Ms. Morris continued by reviewing the open and closed information items and noted requests made during the June meeting.

ADJOURNMENT

Barbra Phillips moved that the Board adjourn to meet on Thursday, September 15, 2016 for their regularly scheduled meeting. The meeting adjourned at 3:20 p.m.

Barbra Phillips– Board Chair

Lisa J. Morris – Secretary